Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matters of	)	
	)	
High-Cost Universal Service Support and	)	WC Docket No. 05-337
Federal-State Joint Board on Universal	)	
Service	)	CC Docket No. 96-45

REPLY COMMENTS of the SMALL COMPANY COMMITTEE OF THE LOUISIANA TELECOMMUNICATIONS ASSOCIATION

Louisiana Rural Telephone Companies

Cameron Telephone Company, LLC
Campti-Pleasant Hill Telephone Co., Inc.
CenturyTel of Chatham, LLC
CenturyTel of Central Louisiana, LLC
CenturyTel of East Louisiana, LLC
CenturyTel of Evangeline, LLC
CenturyTel of North Louisiana, LLC
CenturyTel of Northwest Louisiana, Inc.
CenturyTel of Ringgold, LLC
CenturyTel of Southeast Louisiana, Inc.
CenturyTel of Southwest Louisiana, LLC
Delcambre Telephone Co., Inc.
East Ascension Telephone Co., LLC
Elizabeth Telephone Company, LLC
Kaplan Telephone Co., Inc.
Lafourche Telephone Co., LLC
Northeast Louisiana Telephone Co., Inc.
Reserve Telephone Co., Inc.
Star Telephone Co., Inc.

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June 21, 2007

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REPLY COMMENTS
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SMALL COMPANY COMMITTEE OF THE LOUISIANA TELECOMMUNICATIONS ASSOCIATION
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The Small Company Committee of the Louisiana Telecommunications Association ("SCC") hereby submits these Reply Comments in response to the Federal Communications Commission's ("Commission") Notice of Proposed Rulemaking seeking comment on the Federal-State Joint Board on Universal Service's ("Joint Board") recommendation that the Commission adopt an interim, emergency cap on high-cost universal service support for competitive eligible telecommunications carriers ("ETCs").[1] The SCC of the Louisiana Telecommunications Association is comprised of the Rural Telephone Companies (47 U.S.C. §153(37)) providing service in the rural areas of Louisiana.[2]

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[1] *Federal-State Joint Board on Universal Service*, WC Docket No. 05-337, CC Docket No. 96-45, Notice of Proposed Rulemaking, FCC 07-88 (released May 14, 2007) (*Notice*); *Federal-State Joint Board on Universal Service*, WC Docket No. 05-337, CC Docket No. 96-45, Recommended Decision, FCC 07J-1 (Fed.-State Jt. Bd., released May 1, 2007) (*Recommended Decision*).

[2] The SCC is comprised of the following Louisiana rural telephone companies: Cameron Telephone Company, LLC, Campti-Pleasant Hill Telephone Co., Inc., CenturyTel of Chatham, LLC, CenturyTel of Central Louisiana, LLC, CenturyTel of East Louisiana, LLC, CenturyTel of Evangeline, LLC, CenturyTel of North Louisiana, LLC, CenturyTel of Northwest Louisiana, Inc., CenturyTel of Ringgold, LLC, CenturyTel of Southeast Louisiana, Inc., CenturyTel of Southwest Louisiana, LLC, Delcambre Telephone Co., Inc., East Ascension Telephone Co., LLC,

On May 1, 2007, the Joint Board recommended that the Commission adopt an interim cap on high-cost universal service support provided to competitive ETCs to stem the dramatic growth in high-cost support.[3] Specifically, the Joint Board recommended that the Commission cap the amount of support that competitive ETCs may receive for each state based on the average level of competitive ETC support distributed in that state in 2006.[4] The SCC supports the adoption of the interim cap on the amount of high-cost support available to competitive ETCs as set forth in the Joint Board's *Recommended Decision.*

The Joint Board's recommendation that the Commission impose an interim cap on the amount of high-cost support to competitive ETCs is supported by a wide array of carriers and interests in the telecommunications industry.[5] The Commission should therefore adopt the Joint Board's *Recommended Decision.*

> In short, an interim cap pending comprehensive reform is logical and reasonable – it responds to the immediate threat to the sustainability of the high cost fund by capping support to competitive ETCs; results in immediate relief to consumers by easing financial demands on the high cost fund in the near term; and protects consumers by keeping the cap in place until the Commission adopts comprehensive universal service reform. Accordingly, the Commission should adopt the Joint Board's recommendation and move quickly to impose an interim cap on competitive ETC support.[6]

Elizabeth Telephone Company, LLC, Kaplan Telephone Co., Inc., Lafourche Telephone Co., LLC, Northeast Louisiana Telephone Co., Inc., Reserve Telephone Co., Inc., and Star Telephone Co., Inc.

[3] *Notice* at para. 4; *Recommended Decision* at paras. 4-7.

[4] *Recommended Decision* at paras. 5-13.

[5] *See, e.g.*, Comments of Verizon and Verizon Wireless, instant docket, June 6, 2007; Comments of AT&T, Inc., instant docket, June 6, 2007; Comments of United States Telecom Association, instant docket, June 6, 2007; Comments of Comcast Corporation, instant docket, June 6, 2007; National Telecommunications Cooperative Association Initial Comments, instant docket, June 6, 2007; Embarq Comments, instant docket, June 6, 2007; Comments of the Organization for the Promotion and Advancement of Small Telecommunications Companies, instant docket, June 6, 2007; Comments of Frontier Communications on Interim Emergency Cap on CETC High-Cost Support, instant docket, June 6, 2007; Comments of TDS, instant docket, June 6, 2007; Comments of Windstream Communications, Inc., instant docket, June 6, 2007.

[6] Comments of Verizon and Verizon Wireless, instant docket, June 6, 2007 at pages 5 – 6.

There is no merit to the claims that a cap on support to competitive ETCs would not be competitively neutral. The Commission has imposed caps on funding to incumbent LECs, including high-cost loop support and Interstate Access Support as well as safety valve support available to rural carriers.[7] Against this backdrop, extending caps to competitive ETCs is competitively neutral.[8]

As explained by USTelecom:

> The principle of competitive neutrality does not mean that all ETCs must receive the same levels of support or that all ETCs must be treated equally with respect to the distribution of USF support. Rather, competitive neutrality is intended to ensure that no competitor receives an unfair advantage in the marketplace as a result of the manner in which universal service subsidies are distributed. Imposing an interim cap on competitive ETCs would not run afoul of this principle.[9]

US Telecom further explained that the current method by which support is calculated for competitive ETCs likely results in the distribution of excess support, particularly for wireless ETCs.[10]

> For example, under the identical support rule, a wireless ETC's universal service support is calculated based on the incumbent LEC's costs, despite claims about the greater efficiencies associated with wireless technologies and even though wireless ETCs typically obtain study area waivers and serve, on average, lower-cost areas than do the incumbent ETCs on whose costs support is calculated. Similarly, by counting every line and handset the same for purposes of universal service support, a wireless ETC receives substantial subsidies well in excess of that wireless carrier's cost of providing the supported services.[11]

Adopting the Joint Board's *Recommended Decision* does not contravene the principle of competitive neutrality and, ultimately, the entire system of universal service

[7] Comments of United States Telecom Association, instant docket, June 6, 2007, at page 4, *citing Recommended Decision* at para. 5; 47 C.F.R. Sect. 54.305(e).
[8] Id.
[9] Id. at pages 4 – 5.
[10] Id. at page 5.
[11] Id. at pages 5 – 6.

will unravel if competitive ETCs are able to receive support without incurring comparable service obligations across comparable geographical areas.[12] As explained by Embarq:

> The system is designed to work when all ETCs are only receiving support where they provide service where it is not economically feasible to do so otherwise, and at rates that do not cover the costs of providing service. A corollary of this point is that, where a competitive ETC is not using its own network to provide service throughout the same geographic area as the ILEC, it is not incurring the actual costs of serving the high-cost areas, nor is it fulfilling the same carrier of last resort obligations as the ILEC. In these circumstances, a competitive ETC may be reaping a windfall by collecting support solely for providing service where it could do so without support.[13]

The law is clear that competitive neutrality does not require the Commission to provide the exact same levels of support to all ETCs.[14] Section 254 does not impose a requirement of parity with respect to the distribution of funds between and among carriers.[15] Thus, the interim cap on competitive ETCs does not run afoul of the competitive neutrality principle merely because it may impact differently the amount of support received by competitive ETCs as compared to incumbent LECs.[16] Furthermore, as explained by Verizon:

> The current support system is not competitively neutral and is skewed because it counts every line and handset the same, which is another cause of rapid growth in the fund. Consider, for example, a family that has one wireline connection, and then purchases five new wireless handsets. Under the current rules, this decision increases the USF support for this family by a factor of six. The wireless ETC receives support for five handsets and the incumbent LEC receives support for the one wireline connection. Although in this case, two networks that have been built to serve this household, the fund values one network five time more than the

[12] Embarq Comments on the Notice of Proposed Rulemaking Regarding the Recommended Decision of an Interim Cap on High Cost Support for CETCs, instant docket, June 6, 2007, at page 7.
[13] Id.
[14] Comments of Verizon and Verizon Wireless, instant docket, June 6, 2007, at page 11, *citing TCG New York, Inc. v City of White Plains*, 305 F.3d 67, 80 (2d Cir. 2002).
[15] Id.
[16] Id.

other. Such an outcome is hardly competitively neutral. While the interim cap proposed by the Joint Board will not fix this particular problem, it would help prevent this problem from getting worse.[17]

Accordingly, the Joint Board's *Recommended Decision* represents a necessary and responsible step as the Commission develops a long term solution to stabilize the federal universal service fund. Adoption of the *Recommended Decision* will help bring run-away, excessive funding for competitive ETCs under control, which is indispensable to modernizing the universal service program.

For the reasons set forth above, and by the Joint Board in its *Recommended Decision*, any comprehensive reform of the federal high-cost universal service support mechanisms must include adoption of the *Recommended Decision* of the Joint Board to immediately cap the amount of federal high-cost support available to competitive ETCs. Therefore, adoption of the Joint Board's *Recommended Decision* is critical to stabilizing the federal universal service fund, and to ensuring its long term sustainability.

[SIGNATURE ON NEXT PAGE]

[17] Id.

Respectfully submitted,

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June 21, 2007

CERTIFICATE OF SERVICE

I, Paul F. Guarisco, hereby certify that a copy of the comments of the Small Company Committee of the Louisiana Telecommunications Association were sent electronically on this, the 21st day of June, 2007, to those listed in the FCC Public Notice 07-88.

By: /s/ Paul F. Guarisco
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